



STATE OF CONNECTICUT NEWS RELEASE

Attorney General Richard Blumenthal
Consumer Protection Commissioner
Edwin R. Rodriguez

MONDAY, APRIL 26, 2004

CONNECTICUT JOINS 19 STATES IN UNFAIR TRADE PRACTICES SETTLEMENT WITH MEDCO

Attorney General Richard Blumenthal joined Attorneys General from 19 other states today to announce a settlement of claims under unfair trade practice laws against Medco Health Solutions, Inc., the world's largest pharmaceutical benefits management (PBM) company. Investigations against other PBMs are ongoing, with Connecticut in a leadership role.

As a PBM, Medco helps arrange sales programs between drug manufacturers and healthcare plan providers, supposedly seeking to reduce plans' drug costs. Blumenthal was investigating claims that Medco had encouraged prescribers to switch patients' prescription drugs, but the recommendations benefited Medco more than the patients through secret rebates.

In some cases, the drug changes cost patients more money because they were required to pay for a doctor's visit to facilitate the change. Medco never informed patients that the company would receive rebate money from drug manufacturers as a result of the drug switch. Legal action was brought, following the investigation, on behalf of Consumer Protection Commissioner Edwin R. Rodriguez.

"This major settlement sets a powerful precedent with a vital message. Companies cannot compromise medical treatment to boost their own coffers," Blumenthal said. "Medco set and switched its drugs for its patients to better its bottom line, not protect patient health. It enriched itself through concealed rebates and other abuses by providing potentially less effective medicine. Boasting of lowering drug costs, it often raised total expenses to patients. This deceptive drain of scarce healthcare resources is illegal and intolerable – an unconscionable disservice to

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doctors, patients and taxpayers. We will continue to aggressively pursue other ongoing healthcare abuses by PBMs.”

“The rising cost of medication has prompted consumers to explore every possible option for getting the best price on the medicines they need -- whether it be buying on-line or traveling across the border to Canada. Medco’s deceptive, self-serving actions further complicated and exacerbated an already difficult situation for consumers, who are only trying to buy their required prescriptions at a price they can afford,” Department of Consumer Protection Commissioner Edwin R. Rodriguez said. “This settlement puts PBMs on notice that such unscrupulous and unfair practices will not be tolerated.”

Under the settlement, in addition to dramatically reforming its practices, Medco will pay a total of \$26.8 million to the states to help pay for drug care costs for low income consumers, and to fully reimburse states for their attorneys’ time and expenses. Medco will also pay about \$2.5 million directly to patients who incurred expenses specifically related to drug switches involving cholesterol controlling drugs.

In addition to a share of the \$2.5 million paid directly by Medco to consumers, Connecticut will receive \$401,419.15 to benefit Connecticut low income prescription drug consumers. The Connecticut Teachers’ Retirement Board, which had its own contract with Medco, will receive an additional \$170,531.11. Because of Blumenthal’s leadership role in the litigation, Connecticut will also receive \$410,000 to fully reimburse state coffers for attorneys’ time and expenses of the litigation.

Connecticut joined the lawsuit with Arizona, California, Delaware, Florida, Illinois, Iowa, Louisiana, Maine, Maryland, Massachusetts, Nevada, New York, North Carolina, Oregon, Pennsylvania, Texas, Vermont, Virginia and Washington.

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